

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE NOVEMBER 17, 2021 PENSION BOARD MEETING**

1. Call to Order

The Chair called the meeting to order at 8:42 a.m. The meeting was held virtually due to Milwaukee County's and the City of Milwaukee's Stay Safe MKE initiative limiting gatherings in light of the COVID-19 pandemic.

2. Roll Call

Members Present

Members Excused

Nicole Best
Jeffrey Gollner
Kessha Hobson
Elena LaMendola (for Items 5-16)
Ronald Nelson (Vice Chair)
Himanshu Parikh (for Items 5-16)
David Robles (Chair)
Rob Worzalla (for Items 5-16)

Others Present

Erika Bronikowski, Director - Retirement Plan Services
Tina Lausier, Fiscal Officer - Retirement Plan Services
Noukone Keovilaysone, Operations Manager - Retirement Plan Services
Turkessa McCoy, Member Engagement-Project Manager - Retirement Plan Services
Jacob Augustine, Senior Compliance and Research Analyst - Retirement Plan Services
Natasha Ford, Office Administrative Assistant - Retirement Plan Services
Jennifer Folliard, Director of Audits - Office of the Comptroller
Dan Laurila, Operating Budget Manager - Milwaukee County
CJ Pahl, Financial Services Manager, Office of the Comptroller
Judd Taback, Assistant Corporation Counsel
Melinda Lawrence, Assistant Corporation Counsel
Stephanie Sasscer, Paralegal - Office of Corporation Counsel
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
Christopher Caparelli, Marquette Associates, Inc.
Brett Christenson, Marquette Associates, Inc.
Attorney Graham Wiemer
Peter Klimczak, ERS member
Derek Rheaume, ERS member
Ofelia Ramos, ERS retiree
Dawn Maldonado, Interpreter - Milwaukee County

Lauren Albanese, Financial Investment News

3. Chairperson's Report

(a) Report

The Chair called the November 17, 2021 Pension Board meeting to order. He stated a number of the Committees have met and the Board will hear reports as to their progress. The Chair then highlighted a few of the agenda items that will be before the Board, including an update from Marquette Associates with regard to how the ERS Fund is performing in the current market.

(b) Recognition of Service – Trustee Fernando Aniban

The Chair stated the next agenda item is to formally recognize the services of Mr. Aniban. He explained Mr. Aniban began serving with the Milwaukee County Pension Board in 2018 and his term recently expired. The Chair noted he drafted a resolution that reads as follows:

WHEREAS, Trustee Fernando Aniban has served the community, the employees, and retirees of Milwaukee County as a Trustee of the Milwaukee County Pension Board from September 28, 2018 to September 28, 2021;

WHEREAS, Trustee Fernando Aniban has provided outstanding service, leadership and dedication to the citizens of Milwaukee County not only as a trustee, but also as Chairperson of the Actuarial Audit, and Risk Committee in 2020 and 2021;

WHEREAS, his service and expertise led to accomplishments that are invaluable to the Milwaukee County Employees' Retirement System;

BE IT RESOLVED, that on this 17th day of November 2021, the Milwaukee County Pension Board does hereby express the gratitude of the Milwaukee County Pension Board to Trustee Fernando Aniban for his commitment to the Milwaukee County Employees' Retirement System through his dedicated service on the Pension Board and for diligently representing the interests of Milwaukee County employees, retirees, and citizens.

The Pension Board unanimously voted by voice vote to approve the resolution recognizing Trustee Fernando Aniban's extraordinary service. Motion by the Chair, seconded by Ms. Best.

(c) Request for Authorization to Communicate with County Board Chairperson and County Executive Regarding Appointment of Trustees

The Chair explained that this agenda item relates to a request for the Board to authorize him to communicate with the County Board Chairperson and the County Executive regarding the appointment of Trustees. The Chair stated there have been a couple of recent Committee meetings that have been short members and are unable to meet due to the absence of a quorum. This sometimes occurs if there are lags between the end of a trustee's term and the appointment of a new trustee.

The Chair stated he is asking the Board to authorize him to discuss with the Chairperson and the County Executive, not who is being appointed, but the impact vacancies have on the Board and how important Committees are to the Board's ability to conduct its business.

The Pension Board unanimously voted by voice vote to authorize the Chair to communicate with the County Board Chairperson and County Executive related to the impact of appointment vacancies on the Pension Board. Motion by the Chair, seconded by Ms. Hobson.

4. Minutes

(a) Meeting Minutes – September 22, 2021

The Chair stated the minutes of the September Pension Board meeting have been distributed and called for any comments, questions, additions or corrections. Seeing none, the Chair stated he would entertain a motion to approve the September minutes.

The Pension Board unanimously voted by voice vote to approve the minutes of the September 22, 2021 Pension Board meeting. Motion by Ms. Best, seconded by Mr. Nelson.

5. Investment Report

(a) Monthly Update

The Chair welcomed Mr. Caparelli and Mr. Christenson from Marquette Associates and asked them to present their report.

Mr. Caparelli began by reviewing the market environment. He stated the October returns were strong across a number of different asset classes with the exception of Fixed Income. He noted any minor negative returns the ERS Portfolio experienced in September have since been reversed in October. Mr. Caparelli stated the S&P 500 was up 7% for the month of October, resulting in year-to-date returns of 24%. Mr. Caparelli noted this is now three calendar years of double-digit equity returns. He warned that there are still six weeks to go before the end of 2021 and anything can happen in that time frame, but barring anything crazy in the next six weeks, it will be another good year for the equity markets. Mr. Caparelli stated that while things have been positive, as the Chair noted, there is

always uncertainty in the future. He explained the primary concerns today are inflation and how the Fed will react to that potential inflation. Mr. Caparelli stated that the best case at the moment is that this inflation is due to pandemic-related disturbances, such as the supply chain issues. Mr. Caparelli explained that currently, the Fed still plans to keep interest rates low, and the market is expecting an increase in the middle of next year with some additional increases to follow. Mr. Caparelli noted that if the inflation is hotter than expected, the Fed may move sooner. Mr. Caparelli stated the other news is the announcement of the tapering off of the stimulus. He explained that since the beginning of the pandemic, the Fed has been buying about \$120 billion worth of treasuries and mortgage-backed securities in the market every month. That is being tapered down and will continue to be tapered down in the future. However, even with the tapering, it is still a lot of stimulus, which should be supportive for markets going forward.

Mr. Caparelli continued by reviewing the Fixed Income market. He stated because of rising interest rates, these returns are slightly negative. Mr. Caparelli explained that this is likely to be a theme going forward, and the Board should not expect strong returns from Fixed Income. He noted, however, Fixed Income is a great place to be in the time of market crisis. Mr. Caparelli then called for questions.

In response to a question from the Chair, Mr. Christenson stated that there will be a recommendation to the Board today on the Private Debt RFP.

Mr. Christenson began his report by reviewing the statuses of the different managers. He reminded the Board that they have one manager on alert due to employee turnover. Additionally, the Board terminated UBS for performance, and they remain in the termination phase with approximately \$27 million outstanding to be distributed to ERS. Mr. Christenson noted that while UBS is still paying out the distribution, they have performed fairly well, up 9.7% year-to-date.

Mr. Christenson continued by reviewing the Policy versus Target. He stated the Fund is underweight in Fixed Income by approximately \$64.5 million and overweight in Real Estate by about \$42 million. Mr. Christenson clarified that once the redemption comes in from UBS, that class may be more overweight and the Board may need to do some rebalancing. In Private Equity, the Fund is overweight by approximately \$92 million. Mr. Christenson stated there has been cash outflow of approximately \$10 million over the last three months, but the asset class is performing quite well. He also noted that the report shows the new Private Debt asset class, which will be approximately \$67 million. Mr. Christenson then stated that the Fund has approximately \$55 million in cash, which balances out the underweights for Fixed Income and Private Debt.

Mr. Christenson next discussed the Fund's cash flows over a five-year period. He stated that the year-to-date cash flow is a little under \$120 million and the net

investment change is \$238 million. Accordingly, despite the Fund's significant cash flow, it is enjoying a small gain on the overall assets this year.

Mr. Christenson continued by discussing the Fund's performance. He stated with 6 weeks to go, the Fund is up 13.4% year-to-date. Mr. Christenson noted that Fixed Income is down 1.2% year-to-date, which is due to the rising interest rates as discussed earlier. U.S. Equity is up 25.7% outperforming the benchmark of 23.4%. Hedged Equity is up 9.2% year-to-date, and Real Estate has also had a strong year, up 10.7%. Infrastructure is up 8.9% and Private Equity is up 21.3% year-to-date.

Proceeding to review the individual managers, Mr. Christenson stated everything is in range of what is acceptable. He noted Galliard continues to drive some value over the index. TCW is slightly negative year-to-date but has strong one-year returns at 4.5%. In the U.S. Equity portfolio, Boston Partners was up 4.8% in October, and the Russell 3000 and Silvercrest are up 6.8% and 4.4% in October respectively. Mr. Christenson explained QMA, who is on alert, had a positive month, up .8% versus .2% for the benchmark. They are also up 18% year-to-date slightly beating the benchmark at 17.4%. Mr. Christenson commented that while Marquette would like to see some additional outperformance, QMA has a short track record with the Fund. He stated QMA should stay on alert and continue to be monitored. In Hedged Equity, ABS is up year-to-date 4.2% and Parametric is up 14.9%. Mr. Christenson noted that in looking at the 5-year returns, ABS' and Parametric's returns are fairly close. Real Estate had a strong quarter as did Infrastructure.

Mr. Christenson ended his report by reviewing the last several years' returns. He stated 2020 had double digit returns as did 2019. While 2018 had slightly negative returns, 2017 also had double digit returns. Mr. Christenson noted that while there are still six weeks to go, he is hopeful this year will also result in double digit returns.

6. Investment Committee Report – October 19, 2021 and November 9, 2021

Mr. Nelson stated that a large portion of the Investment Committee meeting was spent in closed session but the minutes reflect the open session portions. He stated the Committee finalized its recommendation for Private Debt managers, and the Board will be reviewing that recommendation later in the meeting. Mr. Nelson explained that the Committee also reviewed the volatility risk premium manager RFP responses and will bring a recommendation to the December Board meeting.

7. Governance Committee Report – November 2, 2021

Ms. LaMendola stated that the Governance Committee reviewed proposals for the Board effectiveness assessment from three vendors. The recommendation from the Committee is that the Board engage one of the vendors and the Board will be

reviewing this recommendation later in the meeting. She noted the Committee considered the fees of the vendors and the services they could provide to the Board.

8. Appeals and Rules Committee Report – September 30, 2021 and November 10, 2021

The Chair presented the Appeals and Rules Committee report. He stated the Committee discussed a number of the items on the Board's agenda, including the appeals. Additionally, the Chair stated the Board received a fiscal note for the proposed amendments to Rule 1049, so the Board is able to move forward on the Committee's prior recommendation that those amendments be adopted.

The Committee also reviewed proposed amendments to Rules 705 through 709 that aim to bring the Rules current with the Ordinances. He explained that the Ordinances were amended after the Rules were adopted and the differences are sometime confusing, so these amendments are clean-up.

The Chair then noted that the Committee also hears reports related to the ongoing progress of the Disability Workgroup. He stated the Workgroup meets almost monthly and includes RPS staff representatives, two Pension Board members and other County employees who are involved with disability issues.

9. Actuarial, Audit and Risk Committee Report – October 27, 2021

The Chair stated that the Actuarial, Audit and Risk Committee was scheduled to meet on October 27, and Mr. Aniban was the Chair of that Committee prior to the expiration of his term. The Chair explained the Committee did not have a quorum and could not proceed with the agenda items. The Chair noted he is hoping to have some of the Board vacancies filled as discussed earlier in the meeting.

10. Appeals and Rules Committee Closed Session Items

The Chair stated there are a number of appeals on the agenda. He asked if any of the members or their representatives were present.

(a) O. Ramos

Ms. Bronikowski stated that Ms. Ramos and Ms. Maldonado were present. Ms. Maldonado is serving as the interpreter that Ms. Ramos requested. The Chair explained that this is Ms. Ramos' opportunity to present information related to her appeal to the Board. He stated that if there is information that Ms. Ramos believes is confidential or personal in nature, she may ask to have that presented in closed session. Ms. Ramos confirmed that open session is fine.

The Chair then explained that the Board has received copies of the Committee's recommendation related to her appeal and her responsive materials and email.

The Chair stated that after Ms. Ramos provides her comments, the Board will have an opportunity to ask her questions.

Ms. Ramos stated she is here because she did not understand what she was signing when she requested that her husband receive 100% of her pension benefit at her death. She stated she did not understand her pension benefit would be lower. Ms. Ramos further explained that her husband was diagnosed with blood cancer last month and this makes her situation worse. She stated it was never her intention to select a lower benefit but her English is not perfect and she now needs help resolving this. Ms. Ramos stated that her hope is that the Board can help her and in doing that help her husband.

The Chair commented that at the Committee meeting, he asked Ms. Ramos about her intention at the time she retired to leave her husband a portion of her pension. In answering that question, the Chair noted Ms. Ramos stated to the Committee that she wanted to leave her husband a pension when she died. Ms. Ramos explained that she did not understand the question because she would not be fighting this if she wanted to do that. The Chair also stated his understanding that Ms. Ramos met multiple times with RPS before she signed her final retirement paper work. Ms. Ramos stated that she met with a woman, but outside of that, she is not sure.

The Chair asked if there were other questions for Ms. Ramos. In response to a question from Mr. Worzalla, Ms. Ramos stated when she received her first benefit check at the end of January, she noticed there was a problem with the amount of her benefit.

In response to a question from the Chair, Ms. Ramos stated her husband was diagnosed with cancer in October. The Chair expressed his sympathy for her and her husband.

In response to a question from Ms. Hobson, Ms. Ramos stated there was not an interpreter at her first meeting with RPS.

In response to a question from Mr. Gollner, Ms. Ramos stated when she received her first pension benefit check in January 2021, she noted it was lower than she anticipated. She did not understand why it was lower and contacted RPS.

The Chair called for any additional questions and seeing none, thanked Ms. Ramos for her comments.

(b) D. Rheume/P. Klimeczak

The Chair welcomed Mr. Wiemer and stated that the Board received the documents, letters and materials he provided along with the Committee's recommendations. The Chair stated this is Mr. Wiemer's opportunity to present information to the Board. As he noted earlier, if Mr. Wiemer feels there is

information that is confidential in nature, the Board may go into closed session to hear that information. Mr. Wiemer confirmed that open session is fine. He stated that he will be addressing both Mr. Rheaume's and Mr. Klimczak's appeals because they are the same. Mr. Wiemer explained that it is very unlikely the Board would vote to approve one and not the other.

Mr. Wiemer began by stating he does not have much more to add above what he previously submitted. Mr. Wiemer explained that the Wisconsin Supreme Court has been very clear and the County made the wrong decision in the DC 48 case. Mr. Wiemer cautioned that if the Board does not approve these appeals, it will happen again. He noted that rarely does the Supreme Court provide this type of certainty for the Pension Board. Mr. Wiemer stated that Deputies Rheaume and Klimczak should be eligible to retire under the Rule 75 based on the analysis provided in the District Council 48 ("DC 48") case that has been cited throughout the written submissions. He noted the Pension Board has an opportunity to avoid the costs and other negatives of litigation and should simply follow what the Wisconsin Supreme Court requires.

The Chair stated that in reviewing Mr. Wiemer's materials, it was suggested in those materials that it was inconsequential whether there was a collective bargaining agreement ("CBA") in this case despite the fact that there was not one in the DC 48 case. The Chair questioned why Mr. Wiemer felt that those facts did not matter in looking at the Court's decision in DC 48.

Mr. Wiemer stated that the Wisconsin Supreme Court was pretty clear and rejected the County's arguments that the negotiations surrounding the CBA made a difference. The Court held that the demarcation date is September 29, 2011 not what happened in April 2012. Mr. Wiemer stated that he understood that the Committee made a recommendation, but it is wrong. Under the Supreme Court's decision, the union was not covered by the CBA on September 29, 2011.

The Chair then read a passage from the Court's decision. He read as follows:

The parties agree that the last CBA expired in March 2009, and no successor agreement was reached. Because no contractual obligations existed on September 29, 2011, the members of DC-48 were not "covered by the terms" of CBA on that date.

The Chair stated he reads that paragraph to mean it was very important to the Court's analysis that no contractual obligations existed on that date. He questioned how that is the same as here when there is a CBA that covers 2009 through 2012.

Mr. Wiemer stated he does not dispute that on April 11, 2012, there was a ratified contract that was retroactive. However, he explained it is also clear that on September 29, 2011, there was not. Mr. Wiemer contended that the Supreme Court will view this situation as the same as DC 48 and find that on September 29, 2011, there was not a CBA. It does not matter what happened after that date.

The Chair called for questions, and seeing none, thanked Mr. Wiemer for his comments.

Mr. Nelson then moved that the Pension Board adjourn into closed session under Wisconsin Statute section 19.85(1)(e) with regard to items 11 and 12 for deliberating or negotiating the purchasing of properties, investing of public funds or conducting other specified public business whenever competitive or bargaining reasons require a closed session and under the provisions of section 19.85(1)(g) with regard to items 13(a) through 14 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board agreed by a roll call vote of 8-0 to enter into closed session to discuss items 11 through 14. Motion by Mr. Nelson, seconded by Mr. Gollner.

11. Private Debt Request for Proposal

The Pension Board discussed this item in closed session.

12. Board Effectiveness Assessment

The Pension Board discussed this item in closed session.

13. Appeals and Rules Committee Closed Session Items

(a) D. Rheume

The Pension Board discussed this item in closed session.

(b) P. Klimczak

The Pension Board discussed this item in closed session.

(c) O. Ramos

The Pension Board discussed this item in closed session.

(d) Pension Board Rule 1049

The Pension Board discussed this item in closed session.

- (e) Proposed Amendments Regarding Pension Board Rules 705 through 709

The Pension Board discussed this item in closed session.

14. Counsel Report

- (a) Litigation Update

The Pension Board discussed this item in closed session and took no action.

The Pension Board agreed by a roll call vote of 8-0 to return to open session.

After returning to open session, the Pension Board had the following discussions and made the following motions.

- (a) Private Debt Request for Proposal

The Chair stated that the Board discussed the Committee's recommendation related to the retention of two investment managers in the Private Debt asset class. He explained the recommendation is to invest \$35 million with each manager. The Committee's recommendation comes after careful review of the respondent firms as well as the recommendation of Marquette Associates. Mr. Nelson noted that this step will further the Board's implementation of its approved asset allocation plan. The Chair noted that upon approval, counsel will review and negotiate the contracts.

The Pension Board unanimously voted to retain Owl Rock and Alliance Bernstein for \$35 million each. Motion by the Chair, seconded by Ms. Best.

- (b) Board Effectiveness Assessment

The Chair stated the Board also reviewed and discussed the Governance Committee's recommendation to retain NASDAQ to assist the Board with its effectiveness assessment. The Chair noted that NASDAQ's fees were reasonable, and they offered a number of services that will be useful to the Board. Additionally, NASDAQ offers a board portal, which the Committee will review separately and cost out with other providers.

The Pension Board unanimously voted to retain NASDAQ to assist with the Board's effectiveness assessment. Motion by Ms. LaMendola, seconded by Mr. Gollner.

- (c) O. Ramos

The Chair stated that Ms. Ramos' appeal essentially deals with the fact that at the time she retired, she elected a 100% Joint and Survivor form of benefit after many meetings with RPS. Subsequent to receiving her first pension check, she

indicated that she did not want to proceed with that form of benefit because it lowered the amount of her pension. The Chair noted that Ms. Ramos made the election after several meetings with RPS, including one with a Spanish speaking staff member. The Board had discussions related to the individual circumstances that were presented in the appeal and whether or not there is a need to provide a grace period for members to change their form of benefit. It was also discussed that there may be fiscal and administrative impacts on such a change. The Chair stated that he would move to deny Ms. Ramos' appeal.

The Pension Board voted 3-5, with Mr. Gollner, Mr. Parikh and the Chair approving, and Ms. Best, Ms. Hobson, Ms. LaMendola, Mr. Nelson and Mr. Worzalla disapproving, to deny Ms. Ramos' appeal. Motion by the Chair, seconded by Mr. Parikh. The motion failed to pass because it lacked the necessary five votes as required by Ordinance section 201.24(8.5).

Mr. Nelson stated he was not sure what else could be said because the situation was discussed at length in closed session. The Chair stated that he would add that Ms. Ramos made a decision and there is a record at the Committee level that she wanted to provide a survivor benefit for her husband.

In response to a question from Ms. Hobson, the Chair stated the Board could refer the issue of providing a grace period to the Appeals and Rules Committee to allow RPS to provide input from the administration side and to review any fiscal impact.

In response to a question from Mr. Nelson, Ms. Culotti stated that the IRS has rules about when a discretionary amendment can be effective. If the Board is unsure how to address Ms. Ramos' appeal, it can table its decision until the Committee reviews the feasibility of a grace period for changing a pensioner's form of benefit.

The Pension Board voted 7-0-1, with the Chair abstaining, to table Ms. Ramos' appeal pending further research by the Appeals and Rules Committee related to providing a grace period for members to change their selected form of benefit. Motion by Mr. Nelson, seconded by Ms. Hobson.

(d) D. Rheahme

The Chair stated the Board heard from Attorney Wiemer and received and reviewed his arguments related to Mr. Rheahme's and Mr. Klimczak's appeals. The Chair noted the Board has also discussed the Wisconsin Supreme Court's decision and had input from counsel. He summarized the central issue in these appeals to be whether Mr. Rheahme and Mr. Klimczak, as employees represented by the Milwaukee Deputy Sheriffs' Association ("MDSA"), are the same as the DC 48 employees in the Court's decision and whether, as the Court determined for the DC 48 employees, these individuals were not covered by the terms of a CBA on September 29, 2011 and eligible for the Rule of 75.

The Pension Board voted 7-1 with Mr. Worzalla disapproving to approve the Appeals and Rules Committee's recommendation to deny Mr. Rheaume's appeal and directed that counsel finalize a decision consistent with the Committee's decision for final approval by the Chair as the written decision of the Board. Motion by the Chair, seconded by Mr. Gollner.

(e) P. Klimczak

The Chair stated that as Attorney Wiemer noted earlier in the meeting, Mr. Klimczak is similarly situated to Mr. Rheaume.

The Pension Board voted 7-1 with Mr. Worzalla disapproving to approve the Appeals and Rules Committee's recommendation to deny Mr. Klimczak's appeal and directed that counsel finalize a decision consistent with the Committee's decision for final approval by the Chair as the written decision of the Board. Motion by the Chair, seconded by Mr. Gollner.

(f) Pension Board Rule 1049

The Chair stated that both the Board and the Appeals and Rules Committee have previously discussed the amendments to Rule 1049, which relate to retirement application delays as a result of COVID-19. The Board was waiting on a fiscal note, which it has now received. The Chair noted the Committee's recommendation was that the Board adopt these amendments.

The Pension Board unanimously voted to approve the amendments to Rule 1049 as reflected in Exhibit A. Motion by Mr. Gollner, seconded by Ms. Best.

(g) Proposed Amendments regarding Pension Board Rules 705 through 709

The Chair stated that the Board also considered in closed session proposed amendments to Pension Board Rules 705 through 709. He explained that these amendments do not involve substantive changes but simply bring the Rules into conformity with the Ordinances. The Committee reviewed these changes and recommended that the Board approve the Rule amendments.

The Pension Board unanimously voted to approve the amendments to Rules 705 through 709 as reflected in Exhibit B. Motion by the Chair, seconded by Ms. Hobson.

15. RPS Reports

(a) RPS Director Report

Ms. Bronikowski began her report with an update on the RPS team. She stated the staff continues a hybrid remote and in-person work schedule. Ms. Bronikowski explained that Milwaukee County has not yet released information on reopening.

Ms. Bronikowski next reviewed the projects RPS is currently working on. She noted RPS is preparing for the annual valuation and audit. The staff is also working on data cleanup. Ms. Bronikowski stated RPS will be also be commencing the election process for Ms. LaMendola's Pension Board seat, which will take place in early 2021. With regard to the V3 upgrade, the appropriate RPS staff members are beginning their training on testing so they can work through that process in early 2021. Ms. Bronikowski noted RPS just recently completed its escheatment process where it sends benefits owed to missing participants to the State of Wisconsin. She stated that RPS takes steps to contact members who are owed benefits for five years and then sends those amounts to the State of Wisconsin if the member cannot be found.

Ms. Bronikowski then explained RPS just finished National Retirement Week. She stated this was initially just a week-long celebration, but it has turned into a month-long celebration. RPS partners with Empower to offer online educational webinars to members on various topics, including their ERS pension, Social Security benefits and the County's 457(b) Plan. Ms. Bronikowski stated that 300 members attended the webinars.

Since the last Pension Board meeting, Ms. Bronikowski noted RPS completed its retroactive raise recalculations for the affected MDSA employees. Ms. Bronikowski explained that the MDSA and the County finalized a CBA that covered 2019 and 2020 and included retroactive raises. She explained that this requires RPS to recalculate benefits for any individual who retired since 2019 to reflect the raises.

Ms. Bronikowski then discussed RPS' staffing. She stated RPS recently hired a Senior Compliance and Research Analyst who is working on documenting procedures, completing benefit calculations, developing internal audit procedures and assisting with legal research and open records requests. Ms. Bronikowski noted that RPS also recently hired a new retirement analyst to replace another employee who had a life change and moved out of state. She stated this employee is bilingual in English and Spanish and will be starting the Monday after Thanksgiving. Ms. Bronikowski noted RPS also brought in a contractor to complete some clerical duties. She explained that RPS has a clerical specialist position that has not been funded, which means RPS cannot hire for that position. Accordingly, RPS has used a contractor for those responsibilities. RPS expects the contractor to be needed until July when RPS will be moving to the new V10 system.

Ms. Bronikowski continued by stating RPS has seen a slight increase in retirements for the last few months. She clarified it is not a significant increase,

but it appears some employees may have postponed retirement during the first year of the pandemic and now they feel more comfortable separating from service. Ms. Bronikowski then called for any questions.

The Chair noted that the Actuarial, Audit and Risk Committee will be reviewing the 2022 RPS Budget and will bring recommendations to the Board at the December meeting.

(b) Retirements Processed

The Chair asked Ms. Bronikowski to present the Retirements Processed Report. Ms. Bronikowski stated she provided the Board with the Retirements Processed Reports for September and October.

In September there were 14 retirements, 5 deferred vested members and 9 active employees. Of the 9 active retirements, 4 selected backDROPs ranging from approximately \$72,500 to \$194,000.

Ms. Bronikowski continued by reviewing the October retirements. She stated there were a couple of errors in the report she provided and shared the corrected copy with the Board. Ms. Bronikowski explained that the issue was not with the numbers, but there were some fields that should have been blank and are not. She stated she will circulate the corrected copy. Ms. Bronikowski stated there were 18 retirements processed in October. Nine of those were deferred vested retirements, one was a disability retirement and the remaining eight were active employees. Of those 8 active employees, 6 selected backDROPs. Of those 6, one was a little over \$600,000, two were between \$100,000 and \$200,000 and three were below \$100,000.

(c) Fiscal Reports

The Chair asked Ms. Lausier to present the Fiscal Reports. Ms. Lausier stated she provided the Board with the Portfolio Activity reports for September and October, the Funds Approved Report, the third quarter Financial Statements for 2021 and the third quarter Budget Versus Actual for 2021.

Ms. Lausier started by stating that the net Plan assets as of October 31, 2021 are \$1.92 billion. She noted the ERS Fund had an overall increase of \$28.6 million over the period from August 31 to October 31, 2021. Ms. Lausier explained that Private Equity was up \$17 million, followed by U.S. Equity up \$9.3 million but Real Estate was down \$13.8 million due to redemptions by Morgan Stanley and UBS. Due to available cash, the Real Estate redemptions and employer contributions received from Milwaukee County, it was not necessary to raise funds to meet September and October disbursement needs. Ms. Lausier stated that the Investment Policy Statement changes have continued, including a redemption of \$20 million from Morgan Stanley and \$1.5 million from UBS.

Ms. Lausier next reviewed the Portfolio Activity Report. She stated that the September Income and Contributions reflects \$24.5 million. Ms. Lausier explained that \$21.2 million was employer contributions received from Milwaukee County, which is the second of three installments that Milwaukee County makes to ERS. The final installment will be received the middle of December. Ms. Lausier further explained that in September, the Net Unrealized Gain (Loss) column shows an unrealized loss of \$7.3 million. She noted that this was reversed in October. Accordingly, that column in October shows unrealized gains of \$42.3 million.

Ms. Lausier continued by discussing the Funds Approved Report. She explained that at its May 2021 meeting, the Pension Board approved \$107 million for estimated second-half of 2021 disbursement needs. Ms. Lausier stated there was a surplus from the first half of 2021 of \$3 million, for a total of \$110 million available. She noted \$20 million was required in July, \$18 million in August, \$17 million in September, \$18 million in October and an estimated \$19 million will be required in November. This leaves a surplus for the second half of 2021 of \$18 million. Ms. Lausier clarified that this appears to be sufficient for the December disbursement needs, but she will address this further at the December Pension Board meeting. Ms. Lausier will also make a request for the first half of 2022 disbursement needs.

Ms. Lausier next reviewed the distributions and capital calls. She stated ERS received 8 distributions in September totaling \$24.8 million, including the \$20 million redemption received from Morgan Stanley. Ms. Lausier stated that 6 distributions were received in October, totaling \$4 million, including the \$1.5 million redemption received from UBS. She noted ERS received 3 capital calls in September totaling \$2.4 million, and 3 capital calls in October totaling \$3.5 million.

Ms. Lausier continued her report by discussing the Third Quarter 2021 Financial Statements and the Third Quarter 2021 Budget versus Actual. As of September 30, 2021, the net Plan assets held in trust for pension benefits were \$1.87 billion compared to \$1.63 billion on September 30, 2020. The net change in Plan assets are \$81.6 million compared to the \$113.1 million loss one year ago.

On the Budget versus Actual, Ms. Lausier clarified a few items for the Board. First, she stated the Insurance Services, Software Maintenance and Computer Hardware/Software expenses are paid in full in January, which results in negative variances for the rest of the year. Under Capital Purchases, the V3 upgrade started in the second quarter, which was a little later than expected. Due to this, there will be approximately \$762,500 of the budgeted \$1.7 million cost that will not be incurred until 2022. Ms. Lausier stated the Administrative Expenses paid by the County from the tax levy are a separate section at the bottom of the report. She reminded the Board that these expenses are not in RPS' control and are paid by the County through the tax levy.

In response to a question from the Chair, Ms. Lausier stated that in September there were losses, which were then made up in October. Ms. Lausier clarified that the second quarter Private Equity numbers were also available in October.

The Chair asked if there were any additional questions or comments. He stated that if Trustees have items they would like added to the December agenda or a future Committee meeting, please send those to him and Erika. The Chair also noted that are a few items that are going back to Committee for review and suggested that if Trustees have availability, it is helpful to have extra input or insight at Committee meetings. He acknowledged that the Trustees have busy schedules, but noted that the Committee meetings are open to all Trustees. The Chair then thanked everyone for attending.

16. Adjournment

The meeting adjourned at 12:07 p.m.

Submitted by Erika Bronikowski,
Secretary of the Pension Board

EXHIBIT A

**AMENDMENTS TO THE
RULES OF THE PENSION BOARD OF
THE EMPLOYEES' RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE**

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.
3. The Pension Board previously adopted Rule 1049 to describe a member's retirement effective date.
4. For deferred vested members, a member's retirement effective date is generally the first day of the month after the member submits all required paperwork to Retirement Plan Services ("RPS").
5. The COVID-19 pandemic affected many parts of the application process. For example, RPS staff were forced to work remotely, it was difficult for members to safely complete paperwork in the RPS office, and the U.S. mail suffered significant delays across the country.
6. The Pension Board determined that due to COVID-19, some members faced significant challenges in timely receiving and submitting their deferred vested pension applications under the current Rule 1049 timelines.
7. Accordingly, the Pension Board desires to adopt amendments to Rule 1049 to allow RPS to retroactively commence deferred vested benefits up to one month if the delay was due to COVID-19.

RESOLUTIONS

Effective November 17, 2021, the Pension Board hereby amends Rule 1049 to read as follows:

1049. - Retirement effective date.

- (1) *Active members.* For a member who retires directly from active service, retirement effective date means the day after the day the member terminates county employment. An active member will elect a proposed retirement effective date when the member completes a retirement application. This will be the

member's retirement effective date unless the member continues in county employment past the proposed retirement effective date. If this occurs, the member's initial retirement application is void and the member must complete a new retirement application with a new proposed retirement effective date.

- (2) *Emergency retirement.* For members who retire pursuant to the emergency retirement procedures, the member's retirement effective date will be the day after the day the member terminates county employment. An emergency retiree elects a proposed retirement effective date as part of the emergency retirement procedures. This will be the member's retirement effective date unless the member continues in county employment past the proposed retirement effective date. If this occurs, the member's emergency retirement request is void and the member must complete a new retirement application with a new proposed retirement effective date.

- (3) *Deferred vested members.*

- (a) *Generally.* For deferred vested members who have submitted an application for retirement as required by Ordinance section 201.24(4.5), retirement effective date means the later of:

- i. The first day of the month following the member's normal retirement date or, if authorized by the pension board, a date after the member has attained age fifty-five (55); or
- ii. The first day of the month following the day all required paperwork is received by the retirement office.

A deferred vested member may elect a proposed retirement effective date on the member's retirement application based on the above criteria.

However, if the retirement office has not received all required paperwork by the proposed retirement effective date, the member's retirement effective date will be changed to the first day of the month following the month that the retirement office receives all required paperwork.

However, for applications submitted prior to December 31, 2021, if due to COVID-19, as determined by the Director of RPS, a member is unable to submit the required paperwork prior to the member's proposed retirement effective date, and the member submits the required paperwork in the same month as the member's proposed retirement effective date, RPS may retroactively commence the member's deferred vested pension benefit on the first day of the month in which the member submits all required paperwork.

Notwithstanding the foregoing, if a member has requested that his or her pension benefit be calculated pursuant to Ordinance section 201.24(11.41) and s. 40.30, Wis. Stats., then the retirement office may adjust the member's retirement effective date as necessary to comply with the 60-day commencement requirement of s. 40.30, Wis. Stats. The member's retirement effective date shall be the date specified by the retirement

office in this circumstance. However, it remains the member's responsibility to submit the necessary paperwork in a timely manner sufficient to comply with s. 40.30, Wis. Stats. If a member fails to submit the necessary paperwork in a timeframe and manner that will allow the retirement office to complete processing within the 60-day period described in s. 40.30, Wis. Stats., then the member may lose his or her ability to have his or her pension benefit calculated under s. 40.30, Wis. Stats.

- (b) *Modification.* If, after filing an application for retirement under Ordinance section 201.24(4.5) but before ERS has commenced benefit payments to the member, a deferred vested member desires to modify the form of benefit or beneficiary designated on his or her retirement application, such member shall be permitted to make one (1) such modification within the requirements provided by this rule. In order to be effective, a deferred vested member's amended application must be received by the retirement office prior to the last business day of the month before ERS commences benefit payments.

A deferred vested member who desires to modify his or her form of benefit or designated beneficiary under this rule shall make such modification on the application form designated by the retirement office for receipt of a deferred vested pension. The amended application must be signed by the member and submitted to the retirement office to become effective.

A deferred vested member's retirement effective date following a modification under this rule shall be the later of:

- i. The first day of the month following the date on which the deferred vested member's initial complete application for retirement was received by the retirement office; or
- ii. The date following the day the required paperwork modifying the member's form of benefit or designated beneficiary is received and confirmed as complete by the retirement office.

EXHIBIT B

**AMENDMENTS TO THE
RULES OF THE PENSION BOARD OF
THE EMPLOYEES' RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE**

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. In 2000, the County Board adopted a number of benefit changes, including increases to members' final average salary calculations. These changes were described in Ordinance sections 201.24(5.1) and 201.24(5.15).
3. To assist Retirement Plan Services ("RPS") with administering these changes, the Pension Board adopted Rules 705-709, which describe how these changes should apply to certain groups.
4. The County Board subsequently amended Ordinance section 201.24(5.15) to sunset these changes throughout 2010 and 2011, depending on the member's represented status. Because the Ordinance controls, the Rules were not updated by the Pension Board to reflect these end dates.
5. While the sunset in the Ordinance takes priority over the Rule and these benefit changes have been administratively cutoff in accordance with the Ordinance, the Rules have led to confusion from members who read the Rules without the end dates. Additionally, consistency among the Ordinances and Rules are helpful to RPS in administering ERS.
6. Accordingly, the Pension Board desires to adopt amendments to Rules 705-709 to clarify that these changes do not apply on or after the end dates in the Ordinance.

RESOLUTIONS

Effective November 17, 2021, the Pension Board hereby amends Rules 705, 706, 707, 708 and 709 to read as follows:

Rule 705. Pension benefit calculations after January 1, 2001 - Non-deputy sheriff employees whose initial membership began prior to January 1, 1982.

(a) *Applicability of rule.* This rule 705 shall apply to any non-deputy sheriff employee of the county whose initial membership in the Employees' Retirement System began before January 1, 1982 and who accrues pension service credit on or after January 1, 2001, if the member: is not represented by a collective bargaining unit; or, is represented by a collective bargaining unit which has agreed to the provisions of section 5.15. This rule shall not apply to a member whose

service on or after January 1, 2001 is solely in a position for which membership in the Employees' Retirement System is optional or to any elected official who waived this bonus.

(b) *End Dates*. This Rule shall not apply to any service credit earned:

(1) on or after January 1, 2010 by a member who at the time the service is earned is not represented;

(2) on or after October 14, 2010 by a member who at the time the service is earned is an elected official;

(3) on or after the effective dates listed in Ordinance section 201.24(5.1)(c)-(f) by any member who at the time the service is earned is represented by that respective union.

(c) *"Bonus"*. When calculating the normal pension benefit of a member, for each year of service earned after January 1, 2001 and before the end date listed in subsection (b) above, the member's final average salary shall be artificially increased by a "bonus" equal to seven and a half (7½) percent of the member's pre-"bonus" final average salary. The "bonus" serves as an artificial increase to the member's final average salary solely for the purpose of calculating the amount of the member's pension benefit.

(d) *Maximum "bonus"*. The total artificial increase to a member's final average salary as a result of this "bonus" shall not exceed twenty-five (25) percent of the member's pre-"bonus" final average salary.

(e) *Proportionate "bonus"*. For partial years of pension service credit earned on or after January 1, 2001 and before the end date listed in subsection (b) above, the member will receive a proportionate final average salary increase.

706. Pension benefit calculations after January 1, 2001 - Nonrepresented deputy sheriff employees whose initial membership Began Prior to July 1, 1995.

(a) *Applicability of rule*. This rule 706 shall apply to any nonrepresented deputy sheriff employe of the county whose initial membership in the Employees' Retirement System began prior to July 1, 1995, whose appointment to a non-represented position was first effective prior to July 1, 2009 and who accrues pension service credit on or after January 1, 2001. This Rule shall not apply to any service credit earned on or after January 1, 2010.

(b) *"Bonus"*. When calculating the normal pension benefit of a member, for each year of service earned after January 1, 2001 and before January 1, 2010, the member's final average salary shall be artificially increased by a "bonus" equal to seven and a half (7½) percent of the member's pre-"bonus" final average salary. The "bonus" serves as an artificial increase to the member's final average salary solely for the purpose of calculating the amount of the member's pension benefit.

(c) *Maximum "bonus"*. The total artificial increase to a member's final average salary as a result of this "bonus" shall not exceed twenty-five (25) percent of the member's pre-"bonus" final average salary.

(d) *Proportionate "bonus"*. For partial years of pension service credit earned on or after January 1, 2001 and before January 1, 2010, the member will receive a proportionate final average salary increase.

707. Pension benefit calculations after January 1, 2001 - Non-deputy sheriff employees whose initial membership began on or after January 1, 1982.

(a) *Applicability of rule*. This rule 707 shall apply to any non-deputy sheriff employee whose initial membership in the Employees' Retirement System began on or after January 1, 1982 and who accrues pension service credit on or after January 1, 2001, if the member: is not represented by a collective bargaining unit; or, is represented by a collective bargaining unit which has agreed to the provisions of section 5.15. This rule shall also apply to any non-deputy sheriff employee whose membership in the Employees' Retirement System initially began prior to January 1, 1982, but whose pre-1982 service credit was terminated pursuant to section 2.11. This rule shall not apply to a member whose service on or after January 1, 2001 is solely in a position for which membership in the Employees' Retirement System is optional.

(b) *End Dates*. This Rule shall not apply to any service credit earned:

(1) on or after January 1, 2010 by a member who at the time the service is earned is not represented;

(2) on or after the effective dates listed in Ordinance section 201.24(5.1)(c)-(f) by any member who at the time the service is earned is represented by that union.

(c) *General rule*. A member's annual normal pension benefit shall equal:

(1) All years of pension service credit earned on or after January 1, 2001 and before the end date listed in subsection (b) above, other than as an elected official, multiplied by two (2) percent of the member's final average salary; plus

(2) All years of pension service credit earned prior to January 1, 2001, other than as an elected official, multiplied by one and a half (1½) percent of the member's final average salary; except that:

(i) For each year of pension service credit earned after January 1, 2001 and before the end date listed in subsection (b) above, the multiplier applied to eight (8) years of pension service credit earned prior to January 1, 2001, other than as an elected official, shall be increased from one and a half percent to two (2) percent.

(ii) For a member with partial years of pension service credit on or after January 1, 2001 and before the end date listed in subsection (b) above, the member shall have the multiplier applied to a proportionate number of pre-2001 years of pension service credit increased from one and a half (1½) percent to two (2) percent.

(d) *Service as an elected official*. A member who is an elected official, whose membership began prior to March 15, 2002, and who did not waive any applicable bonus shall receive an annual normal pension benefit equal to:

(1) All years of pension service credit earned on or after January 1, 2001 and before October 14, 2010 as an elected official multiplied by two and a half (2½) percent of the member's final average salary; plus

(2) All years of pension service credit earned prior to January 1, 2001 as an elected official multiplied by two (2) percent of the member's final average salary; except that

(i) For each year of pension service credit earned on or after January 1, 2001 and before October 14, 2010, the multiplier applied to eight (8) years of pension service credit earned prior to January 1, 2001 as an elected official shall be increased from two (2) percent to two and half (2½) percent.

(ii) For a member with partial years of pension service credit on or after January 1, 2001 and before October 14, 2010, the member shall have the multiplier applied to a proportionate number of pre-2001 years of pension service credit increased from two (2) percent to two and half (2½) percent.

(e) *Multiple job capacities.* If a member has service in a job capacity described in rule 707(c) and in a job capacity described in rule 707(d) above, his annual pension benefit shall be the sum of the amounts of the member's annual pension benefit calculated under both rule 707(c) and rule 707(d).

708. Pension benefit calculations after January 1, 2001 - Nonrepresented deputy sheriffs whose initial membership began on or after July 1, 1995.

(a) *Applicability of rule.* This rule 708 shall apply to any nonrepresented deputy sheriff employe whose initial continuous membership in the Employees' Retirement System began on or after July 1, 1995, whose appointment was first effective before July 1, 2009 and who accrues pension service credit on or after January 1, 2001. This rule shall also apply to any nonrepresented deputy sheriff employe whose membership in the Employees' Retirement System initially began prior to July 1, 1995, but whose pre-July 1, 1995 service credit was terminated pursuant to section 2.11. This Rule shall not apply to any service credit earned on or after January 1, 2010.

(b) *General rule.* A member's annual normal pension benefit shall equal:

(1) All years of pension service credit earned on or after January 1, 2001 and before January 1, 2010 as a nonrepresented deputy sheriff multiplied by two and half (2½) percent of the member's final average salary; plus

(2) All years of pension service credit earned prior to January 1, 2001 as a nonrepresented deputy sheriff multiplied by two (2) percent of the member's final average salary; except that

(i) For each year of pension service credit earned on or after January 1, 2001 and before January 1, 2010, the multiplier applied to eight (8) years of pension service credit earned prior to January 1, 2001 as a nonrepresented deputy sheriff shall be increased from two (2) percent to two and a half (2½) percent, and

(ii) for each partial year of pension service credit earned on or after January 1, 2001 and before January 1, 2010, the multiplier for pre-2001 years of pension service credit shall be increased from two (2) percent to two and a half (2½) percent on a proportionate basis.

(c) *Multiple job capacities.* If a member has earned service credit in a job capacity other than that described in this rule 708, the member's annual pension benefit shall be the sum of the amounts of the member's annual pension benefit calculated under both this rule 708 and the pension benefit calculated for the other job capacity.

709. Pension benefit calculations after January 1, 2001—Optional members.

(a) *General rule.* The normal retirement benefit under section 5.1 for service earned as an "optional member," which is service earned in a position for which membership in the Employees' Retirement System is optional and for which the member elected to become a member, either at the member's commencement of employment in such position prior to January 1, 2014 or through the "buy in" procedure described in rule 207 prior to January 1, 2007, shall equal:

(1) Service credit on or after January 1, 2001. All years of pension service credit earned on or after January 1, 2001 and before the end date listed in subsection (b) below as an optional member, multiplied by an amount equal to two (2) percent of the member's final average salary; plus

(2) Service credit before January 1, 2001 and on or after January 1, 1982. All years of pension service credit earned prior to January 1, 2001, but on or after January 1, 1982 as an optional member, multiplied by an amount equal to one and a half (1½) percent of the member's final average salary; plus

(3) Service credit before January 1, 1982. All years of pension service credit earned prior to January 1, 1982 as an optional member, multiplied by an amount equal to two (2) percent of the member's final average salary.

(b) *End Dates.* This Rule shall not apply to any service credit earned:

(1) on or after January 1, 2010 by a member who at the time the service is earned is not represented;

(2) on or after the effective dates listed in Ordinance section 201.24(5.1)(c)-(f) by any member who at the time the service is earned is represented by that union.

(c) *Ineligibility for benefit enhancements.* Service on or after January 1, 2001 in a position for which membership is optional shall not count as service that qualifies the member for the benefit enhancements described in rules 705 and 707.

(d) *Service credit other than as an optional member.* If a member earns pension service credit in a position other than a position for which membership is optional, the member's normal

pension benefit shall be calculated by adding the benefit earned in an optional position to the benefit that the member earned in a non-optional position.